

COUNTY OF MILLS
Annual Financial Report
Year Ended September 30, 2017

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Mills
P.O. Box 483
Goldthwaite, TX 76844-0483

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mills, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mills, Texas, as of September 30, 2017, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Basis of Accounting

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas County & District Retirement System on pages 3 through 7, 37 through 40, and 41 through 43, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mills' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of the County of Mills' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Mills' internal control over financial reporting and compliance.

Eckert & Company, LLP

January 29, 2018

Commissioners' Court
Mills County Courthouse
P.O. Box 34
Goldthwaite, Texas 76844

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Mills' financial performance provides an overview of the County's financial activities for the year ended September 30, 2017, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$9,835,698 (net position). Of this amount, \$2,007,368 (unrestricted) is available to meet the County's ongoing obligations.

The County's total net position decreased by \$161,843 or 2% from current year operations. The County's statement of activities shows total revenues of \$4,909,875 and total expenses of \$5,071,718.

The total fund balance of the General Fund is \$1,156,789, which is a decrease of \$425,643 or 27% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and recreation, and debt service, as well as general administrative and support services.

The County has no component units.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Road and Bridge Fund, the Law Enforcement Fund, the Debt Service Fund, and the Law Enforcement Center Construction Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund, Debt Service Fund, and Special Revenue Funds.

Fiduciary Funds - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the County’s net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	September 30,	
	2017	2016
Current and Other Assets	\$ 2,063,197	\$ 3,372,509
Capital Assets	15,958,931	14,761,520
Total Assets	\$ 18,022,128	\$ 18,134,029
Long-Term Liabilities Outstanding	\$ 7,865,181	\$ 8,111,535
Other Liabilities	321,249	24,953
Total Liabilities	\$ 8,186,430	\$ 8,136,488
Net Position		
Net Investment in Capital Assets	\$ 7,800,250	\$ 7,238,902
Restricted for Debt Service	28,080	27,738
Unrestricted	2,007,368	2,730,901
Total Net Position	\$ 9,835,698	\$ 9,997,541

A portion of the County's net position resulting from modified cash basis transactions (\$7,800,250) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County’s net position (\$28,080) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,007,368) may be used to meet the County’s ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities decreased the County's net position resulting from modified cash basis transactions by \$161,843 and increased the County's net position resulting from modified cash basis transactions by \$716,773 for the fiscal years ended September 30, 2017 and 2016, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 680,181	\$ 690,341
Operating Grants and Contributions	171,715	277,526
Capital Grants and Contributions	41,327	0
General Revenues		
Maintenance and Operations Taxes	3,206,216	3,223,219
Debt Service Taxes	514,900	511,949
Investment Earnings	16,370	58,880
Other Revenues	279,166	201,747
Total Revenues	\$ 4,909,875	\$ 4,963,662
Expenses		
General Government	\$ 1,103,535	\$ 1,056,978
Roads and Bridges	1,189,195	1,061,565
Justice System	464,843	453,481
Public Safety	1,934,754	1,300,542
Public Health and Welfare	62,033	98,526
Culture and Recreation	48,456	16,308
Debt Service	268,902	259,489
Total Expenses	\$ 5,071,718	\$ 4,246,889
Change in Net Position	\$ (161,843)	\$ 716,773
Net Position - Beginning	9,997,541	9,280,768
Net Position - Ending	\$ 9,835,698	\$ 9,997,541

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$2,035,448, a decrease of \$1,312,108 or 39% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,156,789. All of this balance is unassigned.

Special Revenue Funds \$850,579. All of this balance is committed to special programs.

Debt Service Fund \$28,080. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$2,033,353, and the final amended budget was \$2,366,354, which represents a \$333,001 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 37 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$1,810,868 for the fiscal year 2018, which is a decrease of \$555,486 from the fiscal year 2017.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2017.

Long-Term Debt - Financial statement footnote III., F. discloses the County's debt activity for the year ended September 30, 2017.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Kirkland A. Fulk, County Judge, County of Mills, P.O. Box 483, Goldthwaite, TX 76844-0483.

Basic Financial Statements

COUNTY OF MILLS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2017

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,024,178
Due from Fiduciary Funds	39,019
Capital Assets:	
Land	149,701
Buildings and Improvements (Net)	14,981,953
Machinery and Equipment (Net)	805,695
Construction in Progress	21,582
Total Assets	18,022,128
LIABILITIES	
TCDRS Payable	27,342
Other Payables	407
Short-Term Debt Payable	293,500
Noncurrent Liabilities:	
Debt Due Within One Year	240,000
Due in More Than One Year	7,625,181
Total Liabilities	8,186,430
NET POSITION	
Net Investment in Capital Assets	7,800,250
Restricted for Debt Service	28,080
Unrestricted	2,007,368
Total Net Position	\$ 9,835,698

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILLS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,103,535	\$ 234,131	\$ 20,606
Roads and Bridges	1,189,195	333,194	42,929
Justice System	464,843	91,360	8,586
Public Safety	1,934,754	16,122	99,594
Public Health and Welfare	62,033	5,374	-
Culture and Recreation	48,456	-	-
Interest on Debt	268,502	-	-
Fiscal Agent's Fees	400	-	-
TOTAL PRIMARY GOVERNMENT	\$ 5,071,718	\$ 680,181	\$ 171,715

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Investment Earnings

Miscellaneous Revenue

Gain on Disposal of Assets

Total General Revenues

Change in Net Position

Net Position-- Beginning

Net Position--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

	Capital Grants and Contributions		Primary Government Governmental
\$	-	\$	(848,798)
	-		(813,072)
	-		(364,897)
	41,327		(1,777,711)
	-		(56,659)
	-		(48,456)
	-		(268,502)
	-		(400)
\$	41,327		(4,178,495)

3,206,216

514,900

16,370

242,100

37,066

4,016,652

(161,843)

9,997,541

\$ 9,835,698

COUNTY OF MILLS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Road and Bridge	Law Enforcement
ASSETS			
Cash and Cash Equivalents	\$ 1,142,576	\$ 276,046	\$ 360,241
Due from Other Funds	21,466	5,396	8,570
Total Assets	<u>\$ 1,164,042</u>	<u>\$ 281,442</u>	<u>\$ 368,811</u>
LIABILITIES			
TCDRS Payable	\$ 6,907	\$ 6,546	\$ 13,234
Other Payables	346	18	43
Total Liabilities	<u>7,253</u>	<u>6,564</u>	<u>13,277</u>
FUND BALANCES			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
Special Revenue Funds	-	274,878	355,534
Unassigned Fund Balance	1,156,789	-	-
Total Fund Balances	<u>1,156,789</u>	<u>274,878</u>	<u>355,534</u>
Total Liabilities and Fund Balances	<u>\$ 1,164,042</u>	<u>\$ 281,442</u>	<u>\$ 368,811</u>

The notes to the financial statements are an integral part of this statement.

Debt Service	Law Enforcement Construction	Other Funds	Total Governmental Funds
\$ 28,080	\$ -	\$ 217,235	\$ 2,024,178
-	-	3,587	39,019
<u>\$ 28,080</u>	<u>\$ -</u>	<u>\$ 220,822</u>	<u>\$ 2,063,197</u>
\$ -	\$ -	\$ 655	\$ 27,342
-	-	-	407
<u>-</u>	<u>-</u>	<u>655</u>	<u>27,749</u>
28,080	-	-	28,080
-	-	220,167	850,579
-	-	-	1,156,789
<u>28,080</u>	<u>-</u>	<u>220,167</u>	<u>2,035,448</u>
<u>\$ 28,080</u>	<u>\$ -</u>	<u>\$ 220,822</u>	<u>\$ 2,063,197</u>

COUNTY OF MILLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds	\$	2,035,448
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		6,649,985
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including capital outlays and debt principal payments is to increase (decrease) net position.		2,134,379
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(571,739)
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as miscellaneous revenue. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets, and trade-in allowances are recognized as proceeds. The net effect of the adjustments is to decrease net position.		(23,500)
Various other reclassifications and eliminations are necessary to eliminate interfund transactions, reclassify loan proceeds as an increase in notes payable, record the amortization of bond premium, and recognize the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(388,875)
Net Position of Governmental Activities	\$	9,835,698

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Road and Bridge	Law Enforcement
REVENUES:			
Taxes	\$ 1,409,440	\$ 523,280	\$ 1,273,496
Fees	132,557	333,453	-
Fines	142,771	-	-
Intergovernmental	20,244	26,774	99,724
Interest	10,459	1,044	3,063
Miscellaneous	70,825	4,631	134,328
Total Revenues	1,786,296	889,182	1,510,611
EXPENDITURES:			
Current:			
General Government	924,586	-	-
Roads and Bridges	-	1,077,768	-
Justice System	333,745	-	-
Public Safety	66,155	-	1,521,136
Public Health and Welfare	11,421	-	-
Culture and Recreation	-	-	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Fiscal Agent's Fees	-	-	-
Total Expenditures	1,335,907	1,077,768	1,521,136
Excess (Deficiency) of Revenues Over (Under) Expenditures	450,389	(188,586)	(10,525)
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	105,191	2,120	-
Note Proceeds	-	-	-
Transfers In	777	-	-
Transfers Out	(982,000)	-	-
Total Other Financing Sources (Uses)	(876,032)	2,120	-
Net Change in Fund Balances	(425,643)	(186,466)	(10,525)
Fund Balance - October 1 (Beginning)	1,582,432	461,344	366,059
Fund Balance - September 30 (Ending)	\$ 1,156,789	\$ 274,878	\$ 355,534

The notes to the financial statements are an integral part of this statement.

Debt Service	Law Enforcement Construction	Other Funds	Total Governmental Funds
\$ 514,900	\$ -	\$ -	\$ 3,721,116
-	-	71,400	537,410
-	-	-	142,771
-	41,327	24,973	213,042
698	599	507	16,370
-	10,934	46,512	267,230
<u>515,598</u>	<u>52,860</u>	<u>143,392</u>	<u>4,897,939</u>
-	-	20,023	944,609
-	-	16,449	1,094,217
-	-	131,098	464,843
-	1,353,000	31,277	2,971,568
-	-	50,612	62,033
-	-	597,332	597,332
225,000	-	-	225,000
289,856	-	-	289,856
400	-	-	400
<u>515,256</u>	<u>1,353,000</u>	<u>846,791</u>	<u>6,649,858</u>
<u>342</u>	<u>(1,300,140)</u>	<u>(703,399)</u>	<u>(1,751,919)</u>
-	-	-	107,311
-	-	332,500	332,500
-	712,000	270,000	982,777
-	(777)	-	(982,777)
-	711,223	602,500	439,811
342	(588,917)	(100,899)	(1,312,108)
<u>27,738</u>	<u>588,917</u>	<u>321,066</u>	<u>3,347,556</u>
<u>\$ 28,080</u>	<u>\$ -</u>	<u>\$ 220,167</u>	<u>\$ 2,035,448</u>

COUNTY OF MILLS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 & CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	(1,312,108)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing capital outlays and debt principal payments is to increase (decrease) net position.		2,134,379
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(571,739)
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as miscellaneous revenue. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets, and trade-in allowances are recognized as proceeds. The net effect of the adjustments is to decrease net position.		(23,500)
Various other reclassifications and eliminations are necessary to eliminate interfund transactions, reclassify loan proceeds as an increase in notes payable, record the amortization of bond premium, and recognize the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(388,875)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(161,843)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILLS
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 207,070
Total Assets	<u>\$ 207,070</u>
LIABILITIES	
Due to Other Funds	\$ 39,019
Due to State	85,883
Due to Others	82,168
Total Liabilities	<u>\$ 207,070</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF MILLS
Notes to the Financial Statements
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Mills, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Mills, Texas, was organized by an Act of the Texas Legislature in 1887. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and recreation, and debt service, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

Law Enforcement Fund - This Fund is a special revenue fund and is used to account for revenues for the County's law enforcement activities.

Law Enforcement Center Construction Fund - This Fund is a construction fund and is used to account for construction of the County's Law Enforcement Center.

Debt Service Fund - This Fund used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Prepayments

Prepayments for an emergency medical services contract are described in Note IV., E. to the financial statements.

F. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-40
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

H. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Vacation does not accumulate or vest. Employees may accumulate up to 320 hours of sick leave. Employees are not paid for unused sick leave upon separation from service. Employees are paid only for the current year's unused vacation, not to exceed 80 hours, and provided proper notice was given, they are not under disciplinary action or suspension, and they have been a fulltime employee a minimum of 12 months.

I. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets- This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Net Position on the Statement of Net Position - Continued

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

J. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

K. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy.

L. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. The Law Enforcement Center Construction Fund adopts a project length budget which does not correspond to the County's fiscal year. Appropriations lapse at year end.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2017, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

B. Interfund Receivables, Payables, and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Fiduciary Funds	<u>\$ 21,466</u>	<u>\$ 0</u>	Unremitted Fees
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 5,396</u>	<u>\$ 0</u>	Unremitted Fees
Law Enforcement Fund			
Fiduciary Funds	<u>\$ 8,570</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 3,587</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 21,466	Unremitted Fees
Road and Bridge Fund	0	5,396	Unremitted Fees
Law Enforcement Fund	0	8,570	Unremitted Fees
Nonmajor Governmental Funds	<u>0</u>	<u>3,587</u>	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 39,019</u>	
Totals	<u>\$ 39,019</u>	<u>\$ 39,019</u>	

All amounts due are expected to be repaid within one year.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Interfund Receivables, Payables, and Transfers - Continued

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Law Enforcement Construction	\$ 712,000	To Cover Fund Deficit
General Fund	Nonmajor Governmental Funds	270,000	To Cover Fund Deficit
Law Enforcement Construction	General Fund	<u>777</u>	Close Out Fund
Total		<u>\$ 982,777</u>	

C. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 185,119	\$ 0	\$ 35,418	\$ 0	\$ 149,701
Buildings and Improvements	9,687,908	0	464,199	8,128,845	17,352,554
Machinery and Equipment	2,327,901	102,025	102,886	324,476	2,651,516
Construction in Progress	<u>6,688,903</u>	<u>1,786,000</u>	<u>0</u>	<u>(8,453,321)</u>	<u>21,582</u>
Total Capital Assets	<u>\$ 18,889,831</u>	<u>\$ 1,888,025</u>	<u>\$ 602,503</u>	<u>\$ 0</u>	<u>\$ 20,175,353</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (2,349,891)	\$ (419,307)	\$ (398,597)	\$ 0	\$ (2,370,601)
Machinery and Equipment	<u>(1,778,420)</u>	<u>(152,432)</u>	<u>(85,031)</u>	<u>0</u>	<u>(1,845,821)</u>
Total Accumulated Depreciation	<u>\$ (4,128,311)</u>	<u>\$ (571,739)</u>	<u>\$ (483,628)</u>	<u>\$ 0</u>	<u>\$ (4,216,422)</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,761,520</u>	<u>\$ 1,316,286</u>	<u>\$ 118,875</u>	<u>\$ 0</u>	<u>\$ 15,958,931</u>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 158,926
Roads and Bridges	143,260
Public Safety	256,135
Culture and Recreation	<u>13,418</u>
Total	<u>\$ 571,739</u>

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Leases/Government Obligation Contract

The County entered into a lease agreement to finance the acquisition of radio system equipment for the Sheriff's Office. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the Law Enforcement Fund. The effective interest rate is 4.12%.

The County entered into lease agreements to finance the acquisition of equipment for the Road and Bridge Department. These lease agreements qualify as capital leases for accounting purposes and are payable from the Road and Bridge Fund. The effective interest rate is 3.9% for each.

The County entered into a contract to finance the acquisition of equipment for the Road and Bridge Department. This agreement qualifies as a government obligation contract for accounting purposes and is payable from the Road and Bridge Fund. The effective interest rate is 3.32%.

The County entered into a contract to finance the acquisition of equipment for the Road and Bridge Department. This agreement qualifies as a government obligation contract for accounting purposes and is payable from the Road and Bridge Fund. The effective interest rate is 3.2%.

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Leases		Government Obligation Contract		Total
	Principal	Interest	Principal	Interest	
2018	\$ 177,332	\$ 17,214	\$ 39,331	\$ 5,489	\$ 239,366
2019	139,487	10,487	40,636	4,184	194,794
2020	144,636	5,338	41,986	2,834	194,794
2021	0	0	43,380	1,440	44,820
Totals	<u>\$ 461,455</u>	<u>\$ 33,039</u>	<u>\$ 165,333</u>	<u>\$ 13,947</u>	<u>\$ 673,774</u>

The following is a summary of the changes in capital leases for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	\$ 434,262	\$ 203,551	\$ 176,358	\$ 461,455
Government Obligation Contract	203,400	0	38,067	165,333
Totals	<u>\$ 637,662</u>	<u>\$ 203,551</u>	<u>\$ 214,425</u>	<u>\$ 626,788</u>

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Short-Term Debt

A loan of \$332,500 was issued on September 15, 2016, to construct a Senior Center building for use by the residents of Mills County that qualifies for services provided by the Center. The first draw on the construction loan occurred on October 6, 2016. The loan was liquidated on September 15, 2017, and renewed on September 15, 2017, for \$293,500. This loan bears interest at 2.76%, is to be liquidated on September 15, 2018, and is payable from the Senior Citizens Fund. The unpaid balance on the note is \$293,500.

The following is a summary of changes in short-term debt for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance
Loan - Senior Center Building	\$ 0	\$ 332,500	\$ 39,000	\$ 293,500

F. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited Tax Refunding Bonds	\$ 830,000	\$ 0	\$ 160,000	\$ 670,000	\$ 160,000
Limited Tax Bonds	6,785,000	0	65,000	6,720,000	80,000
Bond Premium/Discount	496,535	0	21,354	475,181	0
Totals	\$ 8,111,535	\$ 0	\$ 246,354	\$ 7,865,181	\$ 240,000

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Long-Term Debt - Continued

The County's outstanding long-term debt is as follows:

Mills County, Texas, Limited Tax Refunding Bonds, Series 2012. Issued to currently refund \$1,495,000 of Mills County, Texas, Tax Notes, Series 2008. Due in variable installments through the fiscal year ending September 30, 2021, with an interest of 2.1%.	\$ 670,000
Mills County, Texas, Limited Tax Bonds, Series 2015. Issued to purchase, design, renovate, construct, reconstruct, improve, or equip a building or buildings for a law enforcement center, including purchasing technology; to purchase the necessary sites therefor; and to pay the costs of issuance related thereto in the original amount of \$6,850,000. Due in variable installments through February 15, 2040, with interest rates of 2% to 4.5%.	<u>6,720,000</u>
Total Bonds Payable	<u><u>\$ 7,390,000</u></u>

The combined annual debt service requirements are as follows:

Year Ending September 30,	Limited Tax Refunding Bonds		Limited Tax Bonds		Total
	Principal	Interest	Principal	Interest	
2018	\$ 160,000	\$ 12,390	\$ 80,000	\$ 272,275	\$ 524,665
2019	165,000	8,978	95,000	269,650	538,628
2020	170,000	5,460	110,000	266,575	552,035
2021	175,000	1,837	110,000	263,275	550,112
2022	0	0	225,000	258,250	483,250
2023-2027	0	0	1,275,000	1,150,875	2,425,875
2028-2032	0	0	1,555,000	868,875	2,423,875
2033-2037	0	0	1,905,000	520,275	2,425,275
2038-2040	0	0	1,365,000	93,938	1,458,938
Totals	<u>\$ 670,000</u>	<u>\$ 28,665</u>	<u>\$ 6,720,000</u>	<u>\$ 3,963,988</u>	<u>\$ 11,382,653</u>

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 12.15% for the months of the accounting year in 2016 and 12.79% for the months of the accounting year in 2017.

The deposit rate payable by the employee members for calendar year 2017 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2016 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2016 Summary Valuation Report for further details.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Following are the key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Long-Term Expected Rate of Return - The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

Note the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected) Minus Inflation ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.70%
Global Equities	MSCI World (Net) Index	1.50%	5.00%
International Equities - Developed Markets	MSCI World Ex USA (Net)	10.00%	4.70%
International Equities - Emerging Markets	MSCI EM Standard (Net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

⁽¹⁾ Target asset allocation adopted at the April 2017 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation of 2% per 2017 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Depletion of Plan Assets/GASB Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in 1, calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefits payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset) - The following presents the increases/(decreases) in net pension liability/(asset):

<u>Changes in the Net Pension Liability/(Asset)</u>	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance as of December 31, 2015	\$ 5,659,650	\$ 4,849,887	\$ 809,763
Changes for the Year:			
Service Cost	\$ 223,432	\$ 0	\$ 223,432
Interest on Total Pension Liability ⁽¹⁾	455,587	0	455,587
Effect of Plan Changes ⁽²⁾	25,648	0	25,648
Effect of Economic/Demographic Gains or Losses	(113,998)	0	(113,998)
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(60,314)	(60,314)	0
Benefit Payments	(260,391)	(260,391)	0
Administrative Expenses	0	(3,897)	3,897
Member Contributions	0	113,280	(113,280)
Net Investment Income	0	358,262	(358,262)
Employer Contributions	0	222,275	(222,275)
Other ⁽³⁾	0	(19,498)	19,498
Net Changes	\$ 269,964	\$ 349,717	\$ (79,753)
Balance as of December 31, 2016	\$ 5,929,614	\$ 5,199,604	\$ 730,010

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Sensitivity Analysis - The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Current Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 6,635,610	\$ 5,929,614	\$ 5,338,863
Fiduciary Net Position	<u>5,199,604</u>	<u>5,199,604</u>	<u>5,199,604</u>
Net Pension Liability/(Asset)	<u>\$ 1,436,006</u>	<u>\$ 730,010</u>	<u>\$ 139,259</u>

Pension Expense/Income - The following presents the components of pension expense/income:

<u>Pension Expense (Income)</u>	<u>January 1, 2016 to December 31, 2016</u>
Service Cost	\$ 223,432
Interest on Total Pension Liability ⁽¹⁾	455,587
Effect of Plan Changes	25,648
Administrative Expenses	3,897
Member Contributions	(113,280)
Expected Investment Return Net of Investment Expenses	(392,502)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(92,186)
Recognition of Assumption Changes or Inputs	22,186
Recognition of Investment Gains or Losses	98,826
Other ⁽²⁾	<u>19,498</u>
Total Pension Expense (Income)	<u>\$ 251,106</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Deferred Inflows/Deferred Outflows of Resources - As of December 31, 2016, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Experience	\$ 147,729	\$ 17,544
Changes in Assumptions	-	22,186
Net Differences Between Projected and Actual Earnings	-	291,518
Contributions Made Subsequent to Measurement Date ⁽³⁾	-	166,365
Totals	\$ 147,729	\$ 497,613

⁽³⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year-end should be reflected as outlined in Appendix D of the TCDRS GASB 68 Report.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 28,826
2018	60,827
2019	87,017
2020	6,849
2021	0
Thereafter ⁽⁴⁾	0

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Schedule of Deferred Inflows and Outflows of Resources - The following presents the components of deferred inflows and outflows of resources:

	Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized in 12/31/16 Expense ⁽¹⁾	Balance of Deferred Inflows 12/31/16	Balance of Deferred Outflows 12/31/16
Investment (Gains) or Losses						
	\$ 34,240	12/31/16	5	\$ 6,848	\$ -	\$ 27,392
	400,847	12/31/15	5	80,169	-	240,508
	59,045	12/31/14	5	11,809	-	23,618
Economic/Demographic (Gains) or Losses						
	(113,997)	12/31/16	3	(37,999)	75,998	-
	(215,193)	12/31/15	3	(71,731)	71,731	-
	70,178	12/31/14	4	17,544	-	17,544
Assumption Changes or Inputs						
	-	12/31/16	3	-	-	-
	66,557	12/31/15	3	22,186	-	22,186
	-	12/31/14	4	-	-	-
Employer Contributions Made Subsequent to Measurement Date⁽²⁾						166,365

⁽¹⁾ Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

⁽²⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as deferred outflows as outlined in Appendix D of the TCDRS GASB 68 Report.

B. Other Postemployment Benefits

Plan Description - The County participates in a cost-sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees.

The GTLF is a separate trust administered by the TCDRS' Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2017

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits - Continued

Funding Policy - Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2017, 2016, and 2015, were \$5,319, \$4,620 and \$4,432, respectively, which equaled the contractually required contributions each year.

C. Self-Insurance

Effective October 1, 2016, the County obtained coverage through Travelers Insurance Company for workers' compensation and employer's liability.

Effective October 1, 2016, the County entered into an interlocal purchase agreement that is nonassessable for property and casualty coverage with Texas Public Entity Group, a named group formed by Travelers Insurance Company.

D. Tax Abatements

The County has entered into a contractual agreement with a property owner in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the date the agreement was reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of the agreement are limited by the guidelines and criteria established by the County Commissioners. At September 30, 2017, the County had established an abatement agreement with the following property owner:

Property Owner	Date of Abatement Agreement	First Year of Abatement	Final Year of Abatement	2016 Appraised Values	2016 Taxable Values	2016 Abated Values	2016 Taxes Levied	2016 Taxes Abated
Goldthwaite Wind Energy, LLC	12/11	2014	2023	\$ 211,158,390	\$ 84,463,356	\$ 126,695,034	\$ 675,369	\$ 1,013,053

During fiscal year 2017, the total amount of abated property value was \$126,695,034. Based on the county tax rate of \$ 0.7996 per \$ 100 of value, the foregone tax levy due to abatement agreements was \$1,013,053.

E. Discontinued Operations

On December 12, 2014, the County Commissioners approved an interlocal government contract with The Hamilton County Hospital District whereby said Hospital District will provide emergency medical services for the residents of Mills County for a period of three years beginning January 1, 2015. A subsidy of \$4,167 per month will be paid to the Hospital District to supplement its emergency medical services in the County. During the fiscal year ended September 30, 2017, \$50,000 was recorded as an expenditure.

F. Subsequent Events

The County's management has evaluated subsequent events through January 29, 2018, the date which the financial statements were available for issue.

Other Information

COUNTY OF MILLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,377,618	\$ 1,377,618	\$ 1,409,440	\$ 31,822
Fees	102,800	102,800	132,557	29,757
Fines	142,000	142,000	142,771	771
Intergovernmental	60,200	60,200	20,244	(39,956)
Interest	10,000	10,000	10,459	459
Miscellaneous	54,500	54,500	70,825	16,325
Total Revenues	1,747,118	1,747,118	1,786,296	39,178
EXPENDITURES:				
Current:				
General Government	964,264	959,264	924,586	34,678
Justice System	341,739	346,740	333,745	12,995
Public Safety	16,500	66,500	66,155	345
Public Health and Welfare	11,850	11,850	11,421	429
Total Expenditures	1,334,353	1,384,354	1,335,907	48,447
Excess (Deficiency) of Revenues Over (Under) Expenditures	412,765	362,764	450,389	87,625
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	125,000	125,000	105,191	(19,809)
Transfers In	-	-	777	777
Transfers Out	(699,000)	(982,000)	(982,000)	-
Total Other Financing Sources (Uses)	(574,000)	(857,000)	(876,032)	(19,032)
Net Change	(161,235)	(494,236)	(425,643)	68,593
Fund Balance - October 1 (Beginning)	1,582,432	1,582,432	1,582,432	-
Fund Balance - September 30 (Ending)	\$ 1,421,197	\$ 1,088,196	\$ 1,156,789	\$ 68,593

COUNTY OF MILLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 511,873	\$ 511,873	\$ 523,280	\$ 11,407
Fees	326,000	326,000	333,453	7,453
Intergovernmental	30,000	30,000	26,774	(3,226)
Interest	1,500	1,500	1,044	(456)
Miscellaneous	-	-	4,631	4,631
Total Revenues	869,373	869,373	889,182	19,809
EXPENDITURES:				
Roads and Bridges:				
Precinct Number One	271,060	271,060	267,931	3,129
Precinct Number Two	267,210	267,210	247,585	19,625
Precinct Number Three	275,268	275,268	255,747	19,521
Precinct Number Four	300,215	300,315	261,685	38,630
Road and Bridge Special	44,820	44,820	44,820	-
Total Expenditures	1,158,573	1,158,673	1,077,768	80,905
Excess (Deficiency) of Revenues Over (Under) Expenditures	(289,200)	(289,300)	(188,586)	100,714
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	2,120	2,120
Total Other Financing Sources (Uses)	-	-	2,120	2,120
Change in Fund Balance	(289,200)	(289,300)	(186,466)	102,834
Fund Balance - October 1 (Beginning)	461,344	461,344	461,344	-
Fund Balance - September 30 (Ending)	\$ 172,144	\$ 172,044	\$ 274,878	\$ 102,834

COUNTY OF MILLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - LAW ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,246,416	\$ 1,246,416	\$ 1,273,496	\$ 27,080
Intergovernmental	103,657	103,657	99,724	(3,933)
Interest	200	200	3,063	2,863
Miscellaneous	31,200	85,685	134,328	48,643
Total Revenues	1,381,473	1,435,958	1,510,611	74,653
EXPENDITURES:				
Public Safety	1,485,085	1,539,970	1,521,136	18,834
Total Expenditures	1,485,085	1,539,970	1,521,136	18,834
Change in Fund Balance	(103,612)	(104,012)	(10,525)	93,487
Fund Balance - October 1 (Beginning)	366,059	366,059	366,059	-
Fund Balance - September 30 (Ending)	\$ 262,447	\$ 262,047	\$ 355,534	\$ 93,487

COUNTY OF MILLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 502,932	\$ 502,932	\$ 514,900	\$ 11,968
Interest	100	100	698	598
Total Revenues	503,032	503,032	515,598	12,566
EXPENDITURES:				
Debt Service:				
Principal on Debt	225,000	225,000	225,000	-
Interest on Debt	289,875	289,875	289,856	19
Fiscal Agent's Fees	-	400	400	-
Total Expenditures	514,875	515,275	515,256	19
Change in Fund Balance	(11,843)	(12,243)	342	12,585
Fund Balance - October 1 (Beginning)	27,738	27,738	27,738	-
Fund Balance - September 30 (Ending)	\$ 15,895	\$ 15,495	\$ 28,080	\$ 12,585

COUNTY OF MILLS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SEPTEMBER 30, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
A. Total Pension Liability			
Service Cost	\$ 223,432	\$ 230,066	\$ 224,001
Interest (on the Total Pension Liability)	455,587	442,558	408,005
Changes of Benefit Terms	25,648	(30,437)	-0-
Difference between Expected and Actual Experience	(113,998)	(215,193)	70,178
Changes of Assumptions	-0-	66,557	-0-
Benefit Payments, including refunds of employee contributions	(320,705)	(327,762)	(266,028)
Net change in Total Pension Liability	\$ 269,964	\$ 165,789	\$ 436,156
Total Pension Liability - Beginning	5,659,650	5,493,861	5,057,705
Total Pension Liability - Ending	\$ 5,929,614	\$ 5,659,650	\$ 5,493,861
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 222,275	\$ 171,946	\$ 195,672
Contributions - Employee	113,280	100,806	113,012
Net Investment Income	358,262	(1,323)	315,301
Benefit Payments, including refunds of employee contributions	(320,705)	(327,762)	(266,027)
Administrative Expense	(3,897)	(3,515)	(3,646)
Other	(19,498)	(15,631)	26,767
Net Change in Plan Fiduciary Net Position	\$ 349,717	\$ (75,479)	\$ 381,079
Plan Fiduciary Net Position - Beginning	4,849,887	4,925,366	4,544,287
Plan Fiduciary Net Position - Ending	\$ 5,199,604	\$ 4,849,887	\$ 4,925,366
C. Net Pension Liability	\$ 730,010	\$ 809,763	\$ 568,495
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.69%	85.69%	89.65%
E. Covered Employee Payroll	\$ 1,618,287	\$ 1,440,086	\$ 1,614,455
F. Net Pension Liability as a Percentage of Covered Employee Payroll	45.11%	56.23%	35.21%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only three years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COUNTY OF MILLS
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SEPTEMBER 30, 2017

	2017	2016	2015
Actuarially Determined Contribution	\$ 223,763	\$ 187,916	\$ 179,507
Contributions in Relation to the Actuarially Determined Contributions	(223,763)	(187,916)	(179,507)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
Covered Employee Payroll	\$ 1,773,152	\$ 1,553,636	\$ 1,496,408
Contributions as a Percentage of Covered Employee Payroll	12.62%	12.10%	12.00%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2014

\$ 189,526

(189,526)

\$ -0-

\$ 1,580,431

12.00%

COUNTY OF MILLS
Notes to the Other Information
September 30, 2017

Note A - Net Pension Liability

Changes in Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of Economic/ Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Supplementary Information

COUNTY OF MILLS
SCHEDULE OF CERTIFICATES OF DEPOSIT
SEPTEMBER 30, 2017

Description	Identifying Number	Interest Rate %	Maturity Date	Amount
<u>GOVERNMENTAL FUNDS</u>				
General Fund				
Mills County State Bank	164200	1.10	5/13/18	\$ 200,000
Mills County State Bank	164201	1.10	6/13/18	150,000
Mills County State Bank	164225	1.10	3/16/18	203,516
Mills County State Bank	164267	1.00	11/8/17	100,000
Mills County State Bank	164337	1.10	9/14/18	100,581
				<u>\$ 754,097</u>
Road and Bridge Fund				
Mills County State Bank	164345	1.00	3/19/18	105,284
Law Enforcement Fund				
Mills County State Bank	164340	0.35	11/14/17	150,872
Records Archive Fund				
Mills County State Bank	164339	1.05	9/15/18	33,000
Courthouse Security Fund				
Mills County State Bank	164338	0.92	3/13/18	30,639
				<u>30,639</u>
Total Governmental Funds				<u><u>\$ 1,073,892</u></u>
<u>FIDUCIARY FUNDS</u>				
County and District Clerk				
Mills County State Bank	162377	0.42	11/23/18	\$ 12,961
Mills County State Bank	163485	0.58	8/4/18	3,236
Mills County State Bank	164256	0.52	4/21/18	28,931
Mills County State Bank	164257	0.52	4/21/18	22,850
				<u>22,850</u>
Total Fiduciary Funds				<u><u>\$ 67,978</u></u>

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable County Judge
and Commissioners' Court
County of Mills
P.O. Box 483
Goldthwaite, TX 76844-0483

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mills, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Mills' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Mills' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Mills' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Mills' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

January 29, 2018